

## Message Text

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ACTION EB-07

INFO OCT-01 EUR-12 EA-07 IO-13 ISO-00 FEA-01 AGR-05 CEA-01

CIAE-00 COME-00 DODE-00 FRB-03 H-02 INR-07 INT-05

L-03 LAB-04 NSAE-00 NSC-05 PA-01 AID-05 CIEP-01 SS-15

STR-04 ITC-01 TRSE-00 USIA-06 PRS-01 SP-02 OMB-01

EPA-01 DOTE-00 /114 W

----- 112755

R 030920Z AUG 76

FM AMEMBASSY TOKYO

TO SECSTATE WASHDC 1321

INFO USDEL MTN GENEVA

USMISSION GENEVA

USMISSION EC BRUSSEL

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E.O. 11652: N/A

TAGS: ETRD MTN JA

SUBJ: AMBASSADOR YEUTTER'S CALL ON MITI OFFICIALS

1. BEGIN SUMMARY. AMBASSADOR YEUTTER CALLED ON MITI DIRECTOR GENERAL YANO ON JULY 31 TO EMPHASIZE NEED FOR COMPLETING MTN IN 1977 AND EXPLAIN U.S. POSITION ON BILATERAL QUESTIONS INCLUDING AUTOS AND LEATHER. YANO STATED JAPANESE VIEWS ON COLOR TV AND INDUSTRIAL FASTENER CASES. END SUMMARY.

2. AMBASSADOR YEUTTER, ACCOMPANIED BY MR. KELLY, EC MIN BUTTON AND E COUNS PIEZ, CALLED ON MITI DIR GEN FOR GRADE POLICY TOSHIHIKO YNAO ON JULY 31. YANO WAS JOINTED BY MR. NEZU, MR. INABLE AND MR. KASEKABE.

3. YEUTTER OBSERVED THAT TRADE RELATIONS BETWEEN JAPAN AND THE U.S. ARE GOOD AND THAT PROBLEMS ARE NOT SERIOUS. HE SAID THAT WE INTEND TO MOVE AHEAD IN THE MULTILATERAL TRADE NEGOTIATIONS  
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AND COMPLETE THEM IN 1977. THE EXPRESSED APPRECIATION FOR

MITI'S VIEWS ON INCREASING THE IMPORTS OF AUTOMOBILES AND ASKED YANO TO ENCOURAGE THE MINISTRY OF TRANSPORTATION TO SIMPLIFY ENVIRONMENTAL AND SAFETY TESTING ON NEW CAR MODELS. HE NOTED THAT HIS TALKS WITH MOT OFFICIALS HAD BEEN USEFUL BUT THAT FOLLOWING UP WITH MOT BY MITI WOULD BE HELPFUL.

4. YANO NOTED THAT HE HAD BEEN IN HIS NEW POSITION FOR ONLY THREE DAYS AND THAT YEUTTER WAS THE FIRST AMBASSADOR TO CALL ON HIM. HE AGREED THAT THE AUTO CONSULTATIONS HAD BEEN USEFUL. HE REAFFIRMED REMARKS MADE BY MITI'S AUTOMOBILE DIVISION DIRECTOR NAKAZAWA ON THE SUBJECT OF U.S. AUTO EXPORTS TO JAPAN. POINTING OUT THAT JAPAN IS A SMALL AND CROWDED COUNTRY AND THEREFORE HAD TO HAVE STRICT RULES ON MOTOR VEHICLES, HE ASKED YEUTTER TO BE AS UNDERSTANDING AS POSSIBLE. YEUTTER RESPONDED THAT WE HAD NO DISAGREEMENT WITH JAPANESE REGULATIONS ON IMPORTED VEHICLES. OUR MANUFACTURERS WILL MEET JAPANESE STANDARDS, HE SAID, BUT TESTING PROCEDURES AND DOCUMENTARY REQUIREMENTS ARE SLOW AND CUMBERSOME. YANO AGREED TO CONVEY THESE VIEWS ONCE AGAIN TO MOT, WHICH HE FELT WAS SOMETIMES TOO BUREAUCRATIC.

5. YEUTTER RAISED THE SUBJECT OF THE RENEWAL OF THE MULTIFIBER AGREEMENT (MFA). NOTING THAT MINISTER SMITH WOULD SOON COME TO TOKYO TO DISCUSS THE MFA IN DETAIL, HE URGED YANO TO SUPPORT A RENEWAL FOR AT LEAST THREE YEARS. YANO SAID THAT THE MFA IS UNDER STUDY IN MITI WITH A VIEW TO DECIDING WHETHER IT SHOULD BE RENEWED AND, IF SO, FOR HOW LONG. HE SAID HE FAVORS FREE TRADE AS A PRINCIPAL BUT RECOGNIZED THE NEED FOR SPECIAL ARRANGEMENTS REGARDING TEXTILES.

6. REGARDING SPECIALTY STEEL, YEUTTER SAID HE HOPED IMPORT/CONTROLS COULD BE ELIMINATED BEFORE THE FULL THREE-YEAR TERM OF OUR AGREEMENT WITH JAPAN IS OVER. HOWEVER, WE WOULD PROBABLY HAVE TO LET THE AGREEMENT RUN FOR ONE YEAR OR MORE BEFORE MAKING ANY DEFINITE DECISION. IN THE MEANTIME, HE NOTED THAT JAPANESE SPECIALTY STEEL EXPORTS TO THE U.S. HAD BEEN ESPECIALLY HIGH DURING THE LIMITED OFFICIAL USE

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FIRST FIVE WEEKS OF THE AGREEMENT. YANO RESPONDED THAT HE UNDERSTOOD THE SPECIALTY STEEL SITUATION VERY WELL SINCE HE HAD BEEN RESPONSIBLE FOR IT IN HIS PREVIOUS POSITION IN BASIC INDUSTRIES BUREAU AND SAID THAT THE EXPORT LEVELS OF THE FIRST FIVE-WEEK PERIOD WOULD NOT BE TYPICAL.

7. YEUTTER THEN ASKED ABOUT JAPANESE RESTRICTIONS ON

LEATHER IMPORTS FROM THE U.S., NOTING THAT THOSE RESTRICTIONS HAD BEEN IN EFFECT FOR 27 YEARS. HE SAID HE UNDERSTOOD JAPANESE SOCIAL PROBLEMS IN THE LEATHER INDUSTRY, BUT IF JAPAN COULD IMPORT MORE LEATHER AND FEWER HIDES THE IMPACT ON THE U.S. INDUSTRY WOULD BE BENEFICIAL. YANO ANSWERED THAT HE WAS NOT VERY OPTIMISTIC ABOUT WHAT COULD BE DONE. HE SAID JAPAN'S LEATHER IMPORTS HAD RISEN SOMEWHAT OVER THE YEARS BUT THAT SHARP INCREASES WERE NOT LIKELY. YEUTTER SAID THAT HE HOPED JAPAN COULD BE FLEXIBLE ON THIS QUESTION BECAUSE THE U.S. INDUSTRY MIGHT REACT TO THE PRESENT SITUATION UNDER WHICH THE PRICES OF HIDES WERE RISING WHILE LEATHER PRICES WERE STABLE.

8. YANO BROUGHT UP THE INTERNATIONAL TRADE COMMISSION INVESTIGATION OF COLOR TV IMPORTS FROM JAPAN. HE SAID THAT JAPAN HAD UNDERSTOOD THAT THE ANTI-DUMPING CASE ON COLOR TVS HAD BEEN SETTLED, BUT NOW THERE WAS CONCERN THAT THE U.S. MIGHT EXCLUDE IMPORTS. HE ALSO SAID THAT CHARGES THAT THE GOJ WAS SUBSIDIZING EXPORTS OF INDUSTRIAL FASTENERS WERE UNFOUNDED AND EXPRESSED THE HOPE THAT BOTH INVESTIGATIONS COULD BE CONCLUDED PROMPTLY. YEUTTER ANSWERED THAT THE TREASURY DEPARTMENT IS STUDYING WHETHER A COUNTERVAILING DUTY ON INDUSTRIAL FASTENERS IS JUSTIFIED. ITS PRELIMINARY INVESTIGATION WOULD BE CONCLUDED ON OCTOBER 21. THEREAFTER AN ADDITIONAL SIX MONTHS MORE COULD BE DEVOTED TO THE STUDY. ONLY AFTER ITS COMPLETION WILL THE PRESIDENT CONSIDER WHAT ACTION TO TAKE, IF ANY. THE ITC INVESTIGATION OF COLOR TV IMPORTS, HOWEVER, MAY REQUIRE 12 TO 18 MONTHS TO COMPLETE. SINCE THE ITC IS COMPLETELY INDEPENDENT, HE SAID, THE PRESIDENT CAN TAKE NO ACTION UNTIL ITC RECOMMENDATIONS ARE SUBMITTED.

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9. YANO EXPRESSED CONCERN THAT BOTH INVESTIGATIONS MAY RESTRICT TRADE IMPROPERLY. YEUTTER NOTED AN ARTICLE APPEARING IN THE JAPAN TIMES THAT MORNING WHICH STATED THAT JAPANESE COLOR TV EXPORTS TO THE U.S. WERE UP BY 209 PERCENT FROM A YEAR AGO AND THAT JAPAN IS ESTIMATED TO HAVE CAPTURED ABOUT 30 PERCENT OF THE U.S. COLOR TV MARKET. HE SAID THAT SUCH RAPID MARKET GROWTH WOULD OBVIOUSLY BE UPSETTING TO THE U.S. INDUSTRY. YANO SAID HE UNDERSTOOD AND THAT HE PLANNED TO REVIEW JAPANESE POLICY REGARDING SUCH TRADE IN ORDER TO DETERMINE WHETHER HIGHER PRICES FOR JAPANESE GOODS MIGHT BE APPROPRIATE.

10. THE SUBJECT OF JAPAN'S GROWING TRADE SURPLUS WAS DISCUSSED BRIEFLY AT THE END OF THE MEETING. YANO EXPRESSED THE OPINION THAT A LARGE SURPLUS IS POINTLESS

FOR JAPAN, AND SAID THAT HE HAD ASKED FOR A STUDY OF NEW  
ACTIONS MITI MIGHT TAKE WHICH WOULD PROMOTE BALANCE OF  
PAYMENTS EQUILIBRIUM.  
SHOESMITH

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